GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Consumer Affairs, Food & Civil Supplies Department – Paddy Procurement Operations – Requirement of Bank Guarantee(BG) for participation in CMR Operations – Delay in delivery of CMR – Causing serious impact on the Procurement Policy and Operations - Ensuring Invocation of BGs and curtailing the default Millers – preventive measures - Instructions - Orders – Issued.

CONSUMER AFFAIRS, FOOD & CIVIL SUPPLIES DEPARTMENT

G.O.Ms.No.14 **Dated:19-06-2023**

Read the following:

1. G.O.Ms.No.26, CAF & CS (CS-I) Dept., dt.13.10.2022 read with G.O.Ms.No.1, CAF & CS (CS-I) Dept., dt.02.01.2023.
2. From the VC & Managing Director, APSCSCL, Lr.No.Mktg/ M2/2022/8/KMS 2022-23, dt.16.05.2023 & 01.06.2023 (E-2083495)

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ORDER:

In the reference 2nd read above, the Vice Chairman & Managing Director, A.P. State Civil Supplies Corporation Limited, Vijayawada has informed that, the A.P. State Civil Services Corporation Ltd., is collecting Bank Guarantee(BG) and keeping in custody and allocating the Paddy to the Rice Millers besides entering the agreement with the Rice Miller indicating all the precautionary terms and conditions in order to streamline the procurement activities and also to avoid malpractices by the Millers participating in Custom Milling operations and its consequences. For custom milling and delivery of Custom Milling Rice (CMR) to designated buffer godowns, Govt. of India schedules the stipulated time and accordingly all the tagged Millers shall deliver the CMR within stipulated period of time to APSCSCL/FCI without fail. For ensuring the same, it is in practice as per the Government guidelines, Bank Guarantees are being collected from the CMR participating Millers and in case of failure to deliver the CMR within the stipulated time and for the recovery of worth of defaulted quantity of Paddy/Rice, BG will be invoked and the amount will be recovered.

2. In certain recent instances, defaulted Millers who fail to deliver certain quantities of CMR within the scheduled time have approached the Hon'ble High Court of A.P. seeking relief by issuing direction to APSCSCL for accepting the defaulted quantity of CMR and also for restoration of BGs which were already invoked. Defaulted Millers in breach of CMR Contracts, are taking shelter under litigation, thereby resulting a negative impact on the whole Procurement policy in terms of ensuring the measures for curtailing malpractices by obtaining Bank Guarantees against the quantities of paddy delivered to the CMR participating

millers. Besides defaulted Millers are intentionally resorting to such delays/defaults, are escaping from being imposed with penalty as prescribed in the procurement policy/agreement for being defaulters. In the above circumstances, there is urgent need to curtail the defaulted Millers from taking shelter under litigation and treat them differently from cases where genuine grounds exist, for delay in CMR deliveries to APSCSCL/FCI.

3. The VC & Managing Director, APSCSCL, Vijayawada has further informed that matter has been consulted and proposals were advised for legal vetting by the Legal Advisers of Corporation, has submitted the legal opinion as detailed below:

i. Govt. of India fixes the schedule for paddy procurement and CMR deliveries in every procurement season. Accordingly, APSCSCL plans the Paddy procurement in the State in consonance with Govt. of India directives.

ii. It is observed certain Rice Millers have become habitual defaulters, constantly failing to deliver the custom milled Rice (CMR) in the stipulated timelines thereby deviating from the schedule fixed by GOI.

iii. Such recurring delays in the delivery of CMR disrupts paddy procurement schedule of APSCSCL, apart from causing enormous loss to the public exchequer.

iv. To prevent this recurring violation by the Rice Millers, APSCSCL is constrained to initiate action against the defaulting Rice Millers, by invoking Bank Guarantees and levying penalty.

v. APSCSCL invokes the Bank Guarantees submitted by the Rice Millers as guarantee, besides treating them as defaulter, while recommending to the concerned authorities i.e., Joint Collector & EOED for taking appropriate action against the errant millers under the Essential Commodities Act.

vi. In addition, based on the gravity of the violations committed by the Rice Miller, blacklisting of the concerned defaulting Rice Miller is resorted to.

vii. Despite taking such preventive measures, some of the defaulting Rice Millers, without complying the solemn obligations stipulated under the agreements, are obtaining interim orders from the courts, even though they have committed breach of contractual terms.

viii. Certain Rice Millers, who are defaulters do not even have the physical stocks of either paddy or CMR at their Mills and without the very locus to approach the courts to seek relief, are securing relief by taking shelter under the earlier Court orders which were allowed on genuine grounds. Defaulting millers are taking advantage of such genuine cases and gaining undue advantage at the expense of the Corporation. If the same is allowed to continue, the entire procurement policy and schedule will be in disarray and it would

become a practice for every defaulted miller to seek relief on similar grounds.

ix. Such misuse by the Rice Millers will encourage them to deliver the recycled CMR, without any respect for either the time schedule or the quality of CMR. This would adversely affect the public interest especially the farming community in particular and pushes the Corporation into a tight corner, diminish its financial resources and impedes it from effectively discharging its public functions of paddy procurement.

x. Such repeated recourse to litigation by the defaulting rice Millers despite they being at fault, hampers effective Paddy procurement by APSCSCL.

xi. Hence, it is necessary to put effective preventive measures to prevent the recurrence of such habitual violation of agreed terms and conditions of CMR agreements by the errant Rice Millers and they shall be penalized by levying the penalty for the loss they have caused to the public exchequer.

4. The VC & MD., APSCSCL, Vijayawada furnished the details of (163) Rice Millers who have defaulted in CMR delivery to an extent of 61,086 MTs, value payable at Rs.166.57 Crores from KMS 2014-15 season till date, and who have obtained interim orders from the Hon'ble High court. In order to curtail the above practice, the VC & MD., APSCSCL has requested the Government to issue necessary instructions under Clause 12 of Andhra Pradesh Rice Procurement (Levy) Order 1984, to effectively prevent the breach of agreed terms and conditions of the CMR contracts by the Rice Millers and disruption of paddy procurement schedule by errant Rice Millers.

5. In the circumstances reported by the VC & Managing Director, APSCSCL, Vijayawada, keeping in view of the difficulties in procuring rice for Public Distribution System and other Welfare Schemes and loss sustained by the APSCSCL in recovery of CMR dues from the defaulted Rice Millers / Dealers, Government after careful examination of the matter, hereby issue the following order.

a. Upon verifying the facts and ascertaining that the Mill falls under the defaulted category in delivering the CMR during the concerned season, Joint Collector & Ex-Officio Executive Director (JC&EOED), APSCSCL shall immediately invoke the Bank Guarantee submitted by the defaulting Miller and levy of penalty to recover the due amount and the loss caused to the APSCSCL /Govt.

b. Penalty that is to be imposed on the defaulting dealer/Miller shall be 0.5 times of the worth of CMR quantity due against the said default Miller and such penalty shall always be paid by the defaulter in the form of a money deposit or by way of a demand draft taken in favour of APSCSCL.

c. Any miller aggrieved by the orders of the JC & EOED, APSCSCL against non delivery of CMR deliveries, or delay in delivery of CMR by the defaulting Millers, consequent to Bank Guarantee (BG) invocation and levy of penalty towards the loss caused, may prefer an appeal to the District Collector, within 30 days from the date of receipt of orders of the JC & EOED, APSCSCL.

d. The Appeal shall be admitted for hearing before the District Collector, only when it is accompanied with the mandatory certificate of confirmation issued by the Joint Collector of the concerned District regarding the physical availability of paddy/rice quantities that are due against any defaulting Miller.

6. The Commissioner of Civil Supplies, Vijayawada; the VC & Managing Director, APSCSCL, Vijayawada; the District Collectors and Joint Collectors & EOEDs, APSCSCL shall take further action accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

H. ARUN KUMAR
EX-OFFICIO SECRETARY TO GOVERNMENT

To,
The Commissioner of Civil Supplies, AP., Vijayawada.
The VC & Managing Director, APSCSCL, Vijayawada.
All the District Collectors in the State.
All the Joint Collectors & Ex-Officio Executive Directors in the State.
Copy to:
The Hon'ble Minister, CA,F & CS Dept.,
The Secretary to the Hon'ble Chief Minister.
The Commissioner of Printing and Stationery, A.P, Vijayawada with a request to publish the G.O. in AP Gazette.
SC/SF.(2083495)

//FORWARDED :: BY ORDER//

SECTION OFFICER